

Star Ohio Fund. The County does not currently own and does not intend to own any derivative type investments.

The County values safety, liquidity and return, in that order. General government investment interest earned by the County in 2003 totaled \$5,281,057.

### AD VALOREM TAXES

Following is the assessed valuation, for the past five years, of property subject to ad valorem taxes levied by the County.

Tax Year	Collection Year	Real Estate(a)	Public Utility Property(b)	Tangible Personal Property(c) Other Than Public Utility	Increase Over Previous Year
					Total
1999*	2000	\$2,539,515,420	\$567,279,530	\$219,511,479	\$3,326,306,429 8.29%
2000	2001	2,636,425,820	540,819,990	190,220,461	3,367,466,271 1.24
2001	2002(d)	2,750,063,470	262,595,640	199,683,480	3,212,342,590 (4.61)
2002**	2003	3,136,913,680	276,544,690	201,346,003	3,614,804,373 12.53
2003	2004	3,239,816,030	276,812,180	192,936,810	3,709,565,020 2.62

The values presented here reflect the values from the County tax duplicates which may vary from the values presented in the County's Comprehensive Annual Financial Report which reflect revisions made by the Board of Revisions.

\*Triennial update.

\*\*Sexennial reappraisal.

- (a) Real property taxes collected in a calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year.
- (b) Public utility property taxes collected in a calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.
- (c) Tangible personal property taxes collected in a calendar year are levied in the same calendar year, on assessed values during and at the close of the most recent fiscal year of the taxpayer (ending on or before March 31 of said calendar year) at tax rates determined in the preceding year.
- (d) Effective January 1, 2001, the assessment rates on all gas utility property and all electric utility property except property used for the transmission and distribution of electricity were reduced to 24% of true value.

Source: Clermont County Auditor

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The Tax Year 2003 (Collection Year 2004) assessed valuation of \$3,709,565,020 is comprised of the following types of property in the indicated amounts:

**ALLOCATION OF ASSESSED VALUATION REAL ESTATE**

Type	Assessed Valuation	Percent of Total
Commercial/Railroad	\$ 618,115,090	16.67%
Industrial	102,053,240	2.75
Residential	2,436,124,040	65.67
Agricultural	83,523,660	2.25
Mineral Rights	0	0.00
Public Utility & PU Railroad	276,812,180	7.46
General Personal	<u>192,936,810</u>	<u>5.20</u>
Total	\$3,709,565,020	100.00%

The ten largest ad valorem property taxpayers with respect to property for the 2003 tax year, are:

**Tax Table A**

Taxpayers	Real Estate Assessed Valuation	Personal Property Assessed Valuation	Total Assessed Valuation	Percentage of Total Assessed Valuation
1. Cinergy	\$ 38,422,230	\$164,358,150	\$202,780,380	5.4664%
2. Dayton Power & Light	16,721,020	30,968,930	47,689,950	1.2856
3. Columbus & Southern	13,566,430	32,372,700	45,939,130	1.2384
4. Cincinnati Bell Telephone	4,220,210	24,968,860	29,189,070	.7869
5. Batavia Transmissions LLC	13,648,920	10,839,350	24,488,270	.6601
6. Eastgate Company	17,633,110	0	17,633,110	.4753
7. Meijer Stores	7,677,500	4,736,350	12,413,850	.3346
8. Acquiport Milford, Inc.	9,406,940	0	9,406,940	.2536
9. Amerishop Biggs Place	7,175,000	1,492,420	8,667,420	.2337
10. Drees Company	<u>6,316,840</u>	<u>0</u>	<u>6,316,840</u>	<u>.1703</u>
Totals	\$134,788,200	\$269,736,760	\$404,524,960	10.9049%

Source: Clermont County Auditor

In 2002, Clermont County experienced the statutory sexennial on-site reappraisal of real property, whereby the true value of real property was adjusted to reflect current market values as of January 1, 2002. The laws of the State of Ohio presently require that the County Auditor reassess real property at any time she finds that the true or taxable value thereof has changed, and in the third calendar year following the year in which a sexennial reappraisal is completed (a triennial update) if ordered by the State Commissioner of Tax Equalization (the "Commissioner"). During 1999, Clermont County experienced a triennial update of market

values of real property, as ordered by the State Commissioner of Tax Equalization, whereby the true value of real property was adjusted to reflect current market values as of January 1, 1999.

Pursuant to law, the taxable value of real property is that percent of true value in money, or the current agricultural use value in the case of agricultural land, established by rule of the Commissioner, not to exceed thirty-five per cent (35%). Under existing rules of the Commissioner, real property is assessed at not more than 35% of true value, or 35% of current agricultural use value as determined by the County Auditor pursuant to rules of the Commissioner. If declared by the property owner and deemed to qualify as "forest land" under Section 5713.22 of the Revised Code, certain real property is taxed at fifty percent (50%) of the assessed valuation.

Given the standard assessment base determined under the provisions noted above, legislation has provided for a three phase reduction of real property taxes, with respect to taxes other than taxes levied at a rate required to produce a specified amount of tax money (i.e. for payment of debt charges), taxes levied inside the ten-mill limitation, or taxes authorized by a municipal charter.

(1) The Commissioner must determine annually by what percent (the "Tax Reduction Factor") the sums that would otherwise be levied by a tax against real property would have to be reduced to equal the amount that would be levied if the full rate thereof were imposed against the total taxable value of real property in the district in the preceding tax year, plus the total taxable value of all improvements added to the tax list since the preceding tax year. Thereafter, the County Auditor must reduce the sum to be levied by the tax against each parcel of real property in the district by the Tax Reduction Factor certified by the Commissioner. However, in the case of school districts other than joint vocational school districts, if said reduction could cause the total taxes charged and payable for current expenses prior to the statutory ten percent reduction, discussed hereinafter, to be less than two percent of the taxable value of all real property subject to taxation, the Commissioner, upon notification thereof by the County Auditor, must adjust the Tax Reduction Factor as required by law.

(2) The County Auditor must reduce the sums remaining thereafter to be levied against parcels of real property by ten percent. The taxes remaining after such reduction constitute the real and public utility property taxes charged and payable and the manufactured home tax charged and payable, on each property and shall be the amounts certified to the County Treasurer for collection.

(3) The application of the homestead exemption.

While the aforesaid tax reductions shall not affect the determination of the principal amount of notes that may be issued in anticipation of any tax levies or the amount of notes for any planned improvements, should funds for payment of debt charges on notes payable from taxes so reduced be insufficient for such purpose, the reduction of taxes shall be adjusted to the extent necessary to provide sufficient funds from real property taxes.

Failure of the County Auditor to supply to the Commissioner the information required to determine the tax Reduction Factor may result in substantial withholding of state revenues to the local government until such time as the County Auditor has fulfilled the requirement.

Recent changes to the assessment of tangible personal property enacted by the Ohio General Assembly include:

- (a) Currently, the assessment rate for tangible personal property constituting inventory (currently 23%) is being reduced by one percent (1%) per year. Beginning with tax year 2005, the rate of valuation of tangible personal property constituting inventory is to be reduced by two (2) percentage points per year until the assessment rate equals zero. These reductions may be delayed if there is a shortfall in the statewide collection of tangible personal property taxes. Effective tax year 2007 and thereafter, the assessment rate for inventory will be reduced by two percent (2%) each year until it equals zero.
- (b) Beginning with tax year 2001, the percentages used to determine the assessed value of electric company personal property used in the production of electricity will be reduced from 100% to 25% of true value; taxable transmission and distribution property will continue to be assessed at 88% of true value (50% of true value for rural electric companies). The State is to reimburse local taxing districts for a portion of the revenues lost due to this reduction in tax valuation with proceeds of a new kilowatt-hour excise tax imposed on electricity consumers. For tax levies which are to produce a given dollar amount each year (such as debt service levies), the reimbursement is to be generally the amount that would have otherwise been collected from the utility property less an amount equal to one-fourth of a mill. For all other non school district tax levies, the State reimbursement is to be, in general, a percentage of the amount that would have otherwise been collected from the utility property, which percentage is to decline from 100% in 2002 to 0% in 2017 and thereafter; all such school district tax levies are to be reimbursed at generally an amount sufficient to produce the same revenues that would have otherwise been collected but taking into account State education aid. Tax levies which were (i) not in effect for the 1998 tax year or (ii) approved by the voters after June 30, 1999 are not eligible for reimbursement by the State.

A corporation which has taxable property in more than one county must also make, directly to the State Tax Commissioner, a single combined return, listing all taxable property. Distribution of the certificate of valuation so generated is normally made by the State Tax Commissioner to county auditors during the last quarter of the calendar year.

Various sections of Title 57 of the Revised Code provide for tax credits to encourage investment in property used in manufacturing and other tangible personal property. In addition, the Revised Code provides for an exemption from the tangible personal property tax for assessed value up to \$10,000 per business. Reimbursement for the resulting shortfall is made from State sources.

The Ohio General Assembly has exercised from time to time its power to revise Ohio law applicable to the determination of assessed valuation of property subject to ad valorem taxation and the amount of tax proceeds produced by ad valorem taxation against such property. It is anticipated that the General Assembly will continue to make similar provisions.

Under statutory procedures, the amount realized by each taxing subdivision from real property taxation (other than amounts realized from taxes levied at a rate required to produce a specified amount, such as for debt service charges or emergency school levies, and taxes levied inside the ten mill limitation or, in the case of municipalities, any applicable charter tax rate limitation) is limited to the amount realized from real property taxes in the preceding year plus: (i) any new taxes (other than renewals) approved by the electorate but calculated to produce an amount equal to what would have been realized if levied in the preceding year and (ii) amounts realized from new and existing taxes on real property added to the tax duplicate since the preceding year. To accomplish this, the Tax Reduction Factor is applied to the stated rates of taxes subject to this reduction levied by the County and its underlying subdivisions. The resulting effective tax rate reflects the aggregate of those reductions and therefore the effective rate at which real property taxes are levied. All real property taxes are further reduced by an additional rollback factor of 10% (12½% in the case of certain owner-occupied residential property); see "Collection of Ad Valorem Property Taxes and Special Assessments" herein for discussion of reimbursement by the State for such reduction.

See Appendix E for the County Tax Rate Table for all county subdivisions for tax year 2003 (collection year 2004).

Tax Table A sets forth the rates for tax year 2003, in mills per \$1.00 of assessed valuation, at which the County levied ad valorem property taxes for the general categories of purposes with proper Reduction Factors.

<b>Tax Table A</b>			
<u>Unvoted Levies</u> <u>Within 10 Mill Limitation</u>		<u>Voted Levies Outside</u> <u>10 Mill Limitation</u>	
General Fund	2.10	Mental Health	0.50
County Capital Construction	1.00	Mental Retardation	2.50
Park	<u>0.10</u>	Senior Services	1.10
	3.20	Children Services	0.80
		Library*	<u>0.50</u>
			5.40

Source: County Budget Commission

\* The Library levy is countywide and is collected by the County for the Library District, a separate political subdivision. The County does not retain any of the funds collected from this levy.

The voted tax levies for voted bond retirement continue for the life of the bonds authorized by the electors, in the annual amounts sufficient to pay debt service on such bonds as the same becomes due.

For a discussion of the ten mill unvoted tax limitation, and the priority of claim thereon for debt service on unvoted general obligation debt of the County and all underlying taxing subdivisions, see the discussion herein of "Indirect Debt Limitations."

The following table presents certain information for tax year 2003 concerning the County's voted and ad valorem tax levies stated in mills per \$1.00 of assessed valuation (except such levies for voted bond issues):

**Tax Table B**

<u>Authorized</u>	<u>Millage Rate Levied For Current Year Collection</u>	<u>Purpose</u>	<u>First Collection Year</u>	<u>Last Collection Year</u>
*	2.50	Mental Retardation	Continuing	
N/A	2.10	General Fund	Continuing	
N/A	1.00	Building Construction	Continuing	
11/81	0.50	Mental Health	1982	2006
11/86	1.10**	Senior Services	1986	2006
11/86	0.80	Children Services	1986	2006

\* The mental retardation millage consists of a 0.2 mill continuing levy authorized in November 1977; a 0.4 mill continuing levy authorized in November 1979; a 1.0 mill continuing levy authorized in November 1980; a 0.9 mill continuing levy authorized in November 1982.

\*\* The Senior Services millage consists of a 1.10 mill levy authorized in November 2000 to replace a 1.00 mill levy with a .10 mill addition to run for 5 years, last collection year 2006.

### **Collection of Ad Valorem Property Taxes and Special Assessments**

The following are the amounts billed and collected for County ad valorem taxes, on the tax duplicates, and the special assessments billed and collected for the indicated tax collection years.

#### **Real Estate, Public Utility Tangible Property**

<u>County</u>						% of Total Collections To Current Tax Levy
<u>Collection Year</u>	<u>Current Billed</u>	<u>Current Collected</u>	<u>%</u>	<u>Delinquent Collected</u>	<u>Total Taxes Collected</u>	
1999	\$19,956,008	\$19,402,173	97.22%	\$518,947	\$19,921,120	99.83%
2000	20,810,509	20,120,975	96.69	553,050	20,674,025	99.34
2001	21,173,444	20,547,474	97.04	560,799	21,108,273	99.69
2002	21,833,074	21,075,908	96.53	602,250	21,678,158	99.29
2003	21,763,491	21,097,568	96.94	1,059,047	22,156,615	101.81

## Special Assessments

### County

<u>Collection Year</u>	<u>Total Assessments Levied</u>	<u>Total Assessments Collected</u>	<u>% Collected</u>
1999	\$451,843	\$440,008	97.38%
2000	677,098	588,124	86.86
2001	655,348	612,310	93.43
2002	622,577	553,517	88.90
2003	663,194	551,197	83.11

Source: Clermont County Auditor

Included in the above figures for ad valorem property taxes "Billed" and "Collected" are certain real property tax relief payments made by Ohio from State revenue sources. Such payments are not made with respect to special assessments. "Homestead" exemptions are made available for the elderly and handicapped. Ohio law provides for the payment to taxing subdivisions from State funds of an amount equaling approximately 10% (12½% with respect to owner-occupied residential property) of ad valorem real property taxes levied, to reduce (or "rollback") the tax obligation of any real property owner in any given year by an equivalent percentage. As an indication of the extent of such State assistance as applied to the County's tax collections, the elderly/handicapped homestead payment was \$2,220,198 in 2003. The rollback payment made by the State in 2003 totaled \$86,847. These figures represent only the County's share of said payments. Similar payments are also made to underlying subdivisions within the County.

No one taxpayer accounts for any significant percentage of any of the delinquencies identified above.

The following table indicates the property tax revenues of the County's General Fund (including homestead, rollback and personal property tax exemption payments reimbursed by the State of Ohio), exclusive of any other County Fund:

<u>Year</u>	<u>Real Property</u>	<u>% Change Over Prior Year</u>	<u>Personal Property</u>	<u>% Change Over Prior Year</u>	<u>Total</u>	<u>% Change Over Prior Year</u>
1999	\$6,004,470	2.06%	\$448,471	(.18)%	\$6,452,941	1.90%
2000	6,484,632	8.00	396,055	(11.69)	6,880,687	6.63
2001	6,654,589	2.62	439,445	10.96	7,094,034	3.10
2002	6,949,266	4.43	434,917	(1.03)	7,384,183	4.09
2003	7,329,816	5.48	400,493	(7.92)	7,730,309	4.69

Source: Clermont County Auditor

## **Delinquency Procedures**

Taxes for real, utility and personal property for the fiscal year 2003 became a lien on January 1, 2004.

The time for payment of taxes may be, and usually is, extended by the County Commissioners for thirty days. Further extensions may be granted by the Department of Taxation of Ohio. When such extensions are made taxes become delinquent at the expiration of the extended period. Tangible personal property returned as of January 1, 2004, largely represents machinery and equipment, and average inventories held during the year 2003. This and other tangible personal property held on January 1, 2004 bears the real estate tax rate of 2003.

As provided in Section 323.17 of the Revised Code, the time for payment of real estate taxes may be extended by law in cases of emergency. When such extensions are made, taxes become delinquent at the expiration of the extended period.

Discounts are not given for prepayment. Penalties and interest for delinquency are as follows:

1. 10% penalty on current taxes if first half current taxes are not received by first half due date.
2. 10% penalty on all current taxes unpaid as of the final date for payment of second half.
3. If the full amount of taxes due at either of the due dates is paid within ten days after such time, the County Treasurer shall waive the collection of and the County Auditor shall remit one-half of the 10% penalty.
4. On the first day of the month following the last day the second half taxes are due, interest in the amount determined by the Tax Commissioner of the State of Ohio shall be charged against all delinquent taxes other than the current year's taxes. The charge shall be for interest that accrued during the period that began on the preceding first day of December and ended on the last day of the month that included the last date such second half could be paid without penalty.
5. On the first day of December, the interest shall be charged against all delinquent taxes. The charge shall be for interest that accrued during the period that began on the first day of the month following the last date prescribed for the payment of the second installment of taxes in the current year and ended on the immediately preceding last day of November.

The penalty for delinquency on tangible personal property is as follows:

- 1) 5% if filed within 60 days of due date.



- 2) Subsequent to 60 days, the penalty is 50%. However, if the taxpayer petitions a reduction and shows reasonable cause - this penalty may be reduced:
  - (a) to 5%, if filed prior to October 1st.
  - (b) to 10%, if filed after September 30th.
- 3) In all cases where the above provisions are applicable, an additional charge of  $\frac{1}{2}$  of 1% per month shall be added for each full month.

The following is a general description of delinquency procedures under Ohio law. The implementation of these procedures may vary in practice among Ohio counties.

If real estate taxes and special assessments are not paid in the year in which they are due, then they are certified delinquent by the County Auditor's office. A list of delinquent properties is then published in a newspaper of general circulation in the County. If the delinquent taxes and special assessments are not paid within one year after such certification, then the properties are certified as delinquent to the County Prosecuting Attorney. If the property owner requests, a payment plan is arranged with the County Treasurer. If such payment plan is not adhered to or if none is arranged, then foreclosure proceedings may be initiated by the County. Ohio law also provides for notice by publication and mass foreclosure proceedings and sale after three years' delinquency.

The County Treasurer's office employs a notification procedure and proceedings in common pleas court to collect delinquent tangible personal property taxes.

Proceeds from the foreclosure sales of delinquent property become part of the current collection and are distributed as current collections to the taxing subdivisions in the County, or, if applicable to special assessments, are remitted to the subdivisions that levied such assessments.

### **OTHER MAJOR COUNTY GENERAL FUND REVENUE SOURCES**

Described under this caption are major sources of revenue for the County's general fund in addition to ad valorem taxes. See Appendix A for further information regarding other sources of revenue for the general fund and other funds.

#### **Sales Tax**

Under Ohio Law the County may levy a one per cent (1%) piggyback sales tax on permissible types of sales made within the County. Beginning October 1, 1983, the County chose to increase the sales tax to one percent (1%) and increased the current levy with an additional one-half of one percent sales tax. These funds are being used for the construction, operation and debt service on the county correctional facility. The following table shows sales tax receipts for the years indicated: